

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 L-03 H-03 PA-04 PRS-01

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R 030640Z JUN 74

FM AMEMBASSY KABUL

TO SECSTATE WASHDC 8145

C O N F I D E N T I A L KABUL 3373

E.O. 11652: GDS

TAGS: EGEN, AF

SUBJECT: CHANGES IN FOREIGN AND DOMESTIC PRIVATE INVESTMENT
LAW (FDPIL)

REF: KABUL 0900

1. MINCOMMERCE JALALLAR IN CONVERSATION JUNE 2 CONFIRMED THAT NEW FDPIL HAS BEEN APPROVED AND WOULD BE GAZETTED AND PUBLISHED IN ENGLISH IN "ABOUT A WEEK". HE STATED THAT THE NEW REPUBLICAN GOVERNMENT OF AFGHANISTAN WAS INTERESTED IN FOREIGN INVESTMENT AND IN PRIVATE INDUSTRIAL DEVELOPMENT, AND THAT THE INTENTION OF THE GOVERNMENT IN CHANGING THE FDPIL WAS TO SIMPLIFY IT, MAKING IT SIMULTANEOUSLY MORE ATTRACTIVE TO REAL INVESTORS, AND LESS AMENABLE TO BEING USED IMPROPERLY BY SMUGGLERS OR OTHERS SEEKING MERELY THE TAX REBATES.

2. HE STATES THAT IMPORTANT CHANGES WERE AS FOLLOWS:

A) ALL JOINT VENTURES MUST HAVE MAJORITY AFGHAN CAPITAL (AT LEAST 51 PERCENT/49 PERCENT).

B) CUSTOMS EXEMPTIONS WERE SIMPLIFIED AND EXTENDED FOR LIFE
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OF PROJECT, INSTEAD OF FIVE YEARS. CAPITAL GOODS -FREE OF

DUTY; SPARE PARTS - 10 PERCENT DUTY; RAW MATERIALS - UP TO MAXIMUM 20 PERCENT DUTY AS SET FOR CATEGORIES OF GOODS BY THE INVESTMENT COMMITTEE.

C) INCOME TAX EXEMPTION WAS FIVE YEARS. NOW IT IS FOUR YEARS FOR KABUL PROJECTS, SIX YEARS FOR OUT-OF-KABUL PROJECTS.

3. THE INVESTMENT COMMITTEE IS NOW CHAIRED BY MINPLANNING AND BY MINCOMMERCE IN HIS ABSENCE. COMMITTEE SECRETARIAT, STILL HEADED BY YUNUS RAFIQ AND HIS ENTIRE STAFF, HAS MOVED TO MIN PLANNING. MINISTER JALALLAR APPEARED PLEASED WITH THIS ARRANGEMENT. HE STATED FURTHER THAT THE INVESTMENT COMMITTEE CONSISTED OF FIVE MINISTERS - PLANNING, COMMERCE, MINES AND INDUSTRIES, FINANCE, AND AGRICULTURE. HE DID NOT MENTION PRESIDENT OF IDBA, WHO HAS BEEN SITTING AS A MEMBER OF THE COMMITTEE, ALTHOUGH NOT MENTIONED IN THE OLD FDPIL.

4. IN REGARD TO THE 51/49 PERCENT REQUIREMENT, MIN JALALLAR STATED THAT QUOTE WE HOPE TO AMEND THIS IN THE FUFUTE UNQUOTE. HE EXPRESSED CONCERN ABOUT POSSIBLE SHORTAGES OF AFGHAN CAPITAL MAKEING ATTRACTIVE PROJECTS IMPOSSIBLE, AND SAID HE THOUGHT THE LAW WOULD BE CHANGED. THERE IS NOW NO FLEXIBILITY IN THE LAW, BUT QUOTE IT IS IN THE HANDS OF THE GOVERNMENT UNQUOTE AND CAN BE CHANGED.

5. WE WILL TRANSMIT TEXT OF REVISED LAW SHEN AVAILABLE IN ENGLISH.
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